

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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R 081324Z JUL 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 1775

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E. O. 11652: N/A

TAGS: EFIN, EGEN, AR

SUBJECT: ECONOMY MINISTER RODRIGO QUESTIONED BY CONGRESS

REF: BUENOS AIRES 4427

1. IN RESPONSE CONGRESSIONAL SUMMONS, MINISTER RODRIGO AND ECONOMIC TEAM SPENT TOTAL OF 20 HOURS JULY 3 AND 4 WITH CHAMBER OF DEPUTIES ANALYZING ECONOMIC SITUATION AND EXPLAINING NEW ECONOMIC PLAN. REPORTEDLY, THIS WAS FIRST TIME IN HISTORY CONGRESS HAD SUMMONED MINISTER TO APPEAR BEFORE IT. ATTITUDE OF DEPUTIES WAS HOSTILE AND SESSION ON WHOLE WENT BADLY FOR GOA TEAM. PLEADING URGENT COMMITMENTS, RODRIGO AND ECONOMIC GROUP EVENTUALLY LEFT BEFORE PROCEEDINGS COMPLETED--REPORTEDLY ACCOMPANIED BY JEERS AND DEMANDS THAT HE RESIGN FROM DEPUTIES. THIS DEVELOPMENT OCCURRED SHORTLY AFTER WORD RECEIVED CONGRESS THAT CGT HAD DECLARED 48-HOUR STRIKE. EVEN LOYAL FREJULI BLOC MEMBERS REPORTEDLY FELT LEFT OUT ON LIMB BY PROCEEDINGS AND SUDDEN EXIT OF TEAM.

2. FIRST DAY, MINISTER OF ECONOMY SEEMED TO OFFER CONGRESS OLIVE BRANCH. HE SAID OBJECTIVES OF PERONIST ECONOMICS UNALTERABLE BUT DIFFERENT INSTRUMENTS TO ACHIEVE OBJECTIVES

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COULD BE CONSIDERED. ECONOMIC TEAM FOLLOWED FOR NEARLY FIVE

HOURS WITH DEVASTATING DESCRIPTION OF ECONOMIC SITUATION IN ARGENTINA INCLUDING ADVERSE COMMERCIAL BALANCE, GROSS RESERVE DRAIN, HEAVY DEBT AMORTIZATION, LACK PRODUCTION AND INVESTMENT, ACUTE FISCAL DEFICIT, ROARING INFLATION, ETC. ECONOMIC TEAM AGAIN CRITICAL OF PAST POLICIES BY PREVIOUS PERONIST MINISTERS INCLUDING ESPECIALLY OVERVALUED EXCHANGE RATE AND RIGID PRICE CONTROLS. EXPLANATION OF PLAN GOALS AND OBJECTIVES SIMILAR TO THAT OUTLINED BY MINISTER RODRIGO IN HIS RECENT SPEECH (SEE REFTEL).

3. NEXT DAY, DEPUTIES RAKED RODRIGO AND ECONOMIC TEAM OVER COALS. MOST DEPUTIES AIRED THEIR POLITICAL VIEWPOINT RATHER THAN SERIOUSLY QUESTIONING PLAN OR PRESENTATION OF PREVIOUS DAY. VARIOUS CONGRESSMEN REFERRED TO PLAN AS "CHAOTIC" AND "RECESSIVE". PALACIO DEHEZA, FREJULI MEMBER AND PRESIDENT OF BUDGET COMMISSION, WAS PRINCIPLE DEFENDER OF GOVERNMENT. ANTONIO TROCCOLI, UCR BLOC SPOKESMAN, REMINDED CONGRESS THAT RADICALS HAD PREDICTED PREVIOUS ECONOMIC POLICIES WOULD LEAD COUNTRY TO DISASTER. HOWEVER, HE WAS BITTERLY CRITICAL OF PRESENT MEASURES SAYING THEY WOULD DENATIONALIZE KEY SECTORS AND LEAD TO REGRESSIVE INCOME DISTRIBUTION. PERONIST LABOR DEPUTY LUIS RUBEO SAID IT WASN'T ECONOMY THAT WAS JEOPARDIZED BUT IDEOLOGY AND DOCTRINE OF JUSTICIALISM. SEVERAL CONGRESSMEN BLUNTLY REQUESTED RESIGNATION OF MINISTER RODRIGO AND SOCIAL WELFARE MINISTER LOPEZ REGA.

4. COMMENT: CONGRESS WAS DEEPLY HOSTILE TO NEW ECONOMIC MEASURES WHICH INDEED ARE QUITE UNPOPULAR THROUGHOUT ARGENTINA. EVEN LOCAL BUSINESS AND BANKING CIRCLES, WHILE SUPPORTING OBJECTIVES AND LIBERAL PRINCIPLES OF PLAN, HAVE RESERVATIONS REGARDING PACE AND MANNER OF ITS IMPLEMENTATION. CURRENT IMPASSE WITH LABOR, WHICH HAS PRODUCED 48-HOUR STRIKE, IS COSTING ECONOMY DEARLY AND WILL MAKE PROBLEMS EVEN MORE DIFFICULT TO RESOLVE.  
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